

KENTUCKY ECONOMIC INDICATORS

November 2005 Indicators as of January 23, 2006

KY Composite Index of Leading Indicators increased 3.9 percent in November.

- The Leading Index increased for the second consecutive month.
- The Leading Index rose by 1.6 percent over the same month last year.
- Component indicators were heavily positive, 4:1.
 - + KY Labor Intensity Index increased 0.9 percent.
 - + The US Leading Index increased 11.0 percent.
 - + The KY Index of Initial UI Claims increased 10.2 percent.
 - + US Retail Sales increased 10.1 percent.
 - The Louisville Help Wanted Index decreased 2 points to 52.

Component weights for November are 52.89, 19.76, 14.85, 10.47 and 1.76 respectively.

KY Composite Index of Coincident Indicators increased 5.2 percent in November.

- The Coincident Index is positive for the third consecutive month.
- Same-month-last-year growth is positive for the twenty-eighth consecutive month at 1.8 percent.
- Component indicators leaned positive, 2:1.
 - KY Total Nonagricultural Employment decreased 0.7 percent.
 - + US Industrial Production Index increased 9.9 percent.
 - + US Personal Income Less Transfers increased 10.2 percent.

Component weights for November are 33.66, 30.26 and 24.86 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.

The Kentucky Leading Index was strong for a second consecutive month. The Index reached a new all-time high of 119.8 for November. The Labor Intensity Index was positive for the second consecutive month. The Labor Intensity Index has been erratic throughout 2005. It has changed signs six times in the last ten months. Employment in Fabricated Metal and Rubber and Plastic Products both rose by 100 jobs. Employment in Transportation Equipment fell by 300 jobs. Employment in Wood Products and Chemical Products remained unchanged. A small Increase in Transportation Equipment average weekly hours helped offset some of the employment losses. Overall there was very little movement in the Labor Intensity Index components. To date, the Labor Intensity Index has made up 37.9 percent of its 2001 recession losses.

The Kentucky Index of Initial Unemployment Insurance Claims increased for the second consecutive month to bring it above its pre-Katrina level. While this is very positive, claims have been very erratic throughout 2005. The series has changed month-to-month growth signs seven out of the last ten months. The high volatility experienced in 2005 not only affects the 2005 results but also may have long-lasting effects on the series by altering its standard deviation, and therefore changing its weight in the overall Leading Index.

The US Leading Index was strongly positive for the second consecutive month. The series is now well above where it was before the trio of weak months starting in July. The index is at a new all-time high of 138.4.

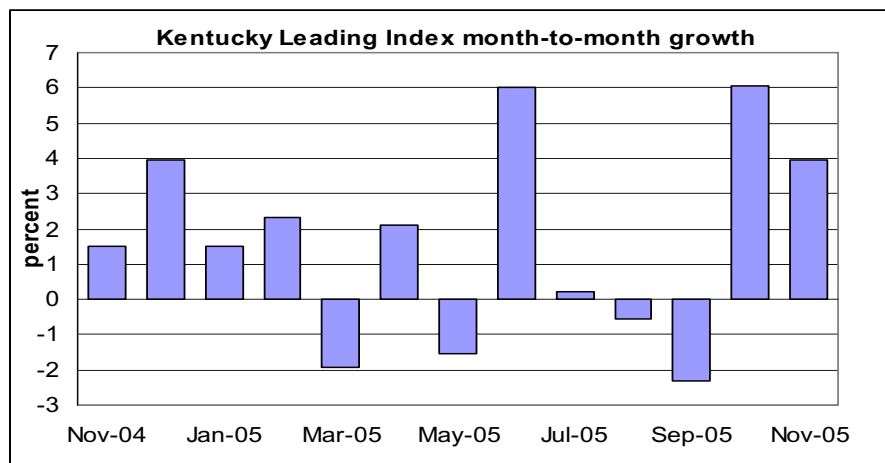
Overall, the components have become a little more stable. All indicators remained positive this month except for the Louisville Help Wanted Index (which remained negative). Each indicator component had changed signs nearly every month for the last several months. The current mix of components remains unchanged at four positives out of five.

New metric, the Kentucky Leading Index Diffusion Index: A diffusion index is defined as the ratio of positive months of growth to total months of growth over a given time period. The Kentucky Leading Index Diffusion Index is computed over the last six months of the series and provides a measure of well-being across the entire economy. This measure is meant to help define the changing landscape of the Kentucky economy. For example, if more of the components become positive in a given month, then the index will rise to indicating that the growth is encompassing more of the Kentucky economy. Each component of the Kentucky Leading Index is included and given equal weight. Therefore, a positive month in the Louisville Help Wanted Index will carry the same 'weight' as a single positive month of growth in the Kentucky Labor Intensity Index.

The Kentucky Diffusion Index rose in November to 63.3 after a series of four consecutive months at 56.7. An index measure of 50.0 would indicate that 50 percent of the indicator components were positive over the last six month period. Therefore, any measure above 50.0 would indicate a positive landscape. This is typically seen during an expansion period. In addition, the movement of the Diffusion Index indicates the general scope or breadth of the well-being of the economy. For example, an increasing diffusion index would indicate that the economy is improving and the scope of that increased well-being is spreading across the different parts of the economy.

Kentucky Nonagricultural Employment and Kentucky Manufacturing Employment both declined slightly in November. Nonagricultural employment is up by 21,000 net jobs over November 2004.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2004					2005								
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	
KY Leading Index (1992=100)	117.9	118.3	118.5	118.7	118.5	118.7	118.6	119.1	119.2	119.1	118.9	119.5	119.8	
	1.5	4.0	1.5	2.3	-1.9	2.1	-1.5	6.0	0.2	-0.6	-2.3	6.1	3.9	
	1.9	1.9	1.9	1.8	0.9	1.3	0.9	1.4	1.6	1.3	1.1	1.4	1.6	
	73.3	73.3	76.7	70.0	63.3	63.3	60.0	60.0	56.7	56.7	56.7	56.7	63.3	
KY Coincident Index (1992=100)	131.6	133.3	132.2	132.5	132.6	132.7	132.9	133.5	133.5	132.2	133.0	133.5	134.0	
	1.9	16.4	-9.3	2.4	0.9	0.5	2.2	5.6	0.1	-10.9	6.9	4.6	5.2	
	2.2	3.3	2.3	2.2	2.3	2.0	1.9	2.5	2.3	1.0	1.7	1.5	1.8	
	KY Nonag Employment (000s)	1,800.7	1,802.7	1,802.4	1,803.6	1,807.1	1,815.1	1,816.7	1,821.2	1,817.3	1,821.1	1,822.9	1,822.9	1,821.9
-0.2		1.3	-0.2	0.8	2.4	5.4	1.1	3.0	-2.5	2.5	1.2	0.0	-0.7	
0.8		0.7	0.7	0.7	0.8	1.0	1.3	1.4	1.5	1.4	1.4	1.2	1.2	
KY Mfg Employment (000s)		264.7	264.2	264.6	264.5	265.1	266.0	266.4	265.4	259.6	265.7	265.5	265.9	265.6
	-3.6	-2.2	1.8	-0.5	2.8	4.2	1.8	-4.4	-23.3	32.1	-0.9	1.8	-1.3	
	0.2	-0.2	0.0	0.0	0.3	0.7	0.7	0.5	0.5	0.4	0.4	0.2	0.3	
	KY Unemployment Rate (%)	4.7	4.7	5.0	5.2	5.3	5.6	5.7	5.7	5.9	5.4	5.7	6.1	6.2
KY Index of Initial UI Claims		102.4	103.1	102.8	103.9	103.3	103.6	102.6	103.4	103.4	102.9	100.0	102.3	103.1
		-3.7	8.2	-3.3	14.2	-6.8	3.3	-11.5	10.3	-0.3	-5.6	-28.9	31.1	10.2
		1.1	1.7	1.0	2.6	1.2	1.5	0.2	1.0	1.6	0.8	-2.5	-0.4	0.7
	KY Labor Intensity Index (1992=100)	105.2	105.3	105.7	105.5	105.6	105.7	105.7	105.5	105.2	105.3	105.2	105.3	105.4
0.6		1.2	3.9	-1.3	1.1	0.8	-0.3	-2.1	-2.9	0.4	-0.5	1.2	0.9	
0.7		0.8	1.0	0.8	0.7	0.7	0.6	0.4	0.4	0.1	0.0	0.2	0.2	
Louisville HWI (1992=100)		42.0	41.0	42.0	41.0	40.0	38.0	39.0	41.0	41.0	46.0	56.0	54.0	52.0
	33.5	-25.1	33.5	-25.1	-25.6	-46.0	36.6	82.2	0.0	297.8	959.6	-35.4	-36.4	
	-14.3	-28.1	-16.0	-25.5	-28.6	-25.5	-18.8	-19.6	-8.9	-2.1	40.0	31.7	23.8	
	GF Total Tax Receipts (\$ mill)	587.9	709.7	659.6	500.8	568.6	808.4	525.6	738.7	573.9	555.1	778.4	632.7	631.1
10.7		5.0	13.1	8.3	11.7	12.1	9.6	16.6	10.5	8.1	18.8	12.3	7.4	
GF Sales & Use Receipts (\$ mill)		201.1	217.7	271.4	176.3	200.1	224.2	216.1	219.6	238.5	217.4	229.6	235.6	218.6
		1.0	4.7	8.8	7.5	8.2	3.1	5.1	9.9	5.5	2.7	11.1	5.2	8.7
	GF Income Tax Receipts (\$ mill)	230.2	259.0	252.6	231.5	176.1	413.7	215.3	266.3	238.1	250.8	278.0	259.3	234.0
		2.8	4.6	21.9	6.6	24.0	12.8	13.6	-1.4	6.2	2.2	2.1	3.8	1.7

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

2004

2005

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
US Leading Index (1996=100)	135.2	136.1	135.8	136.3	135.4	135.5	135.6	137.1	136.9	136.9	135.9	137.2	138.4
% Chg Previous Month SAAR	7.4	8.3	-2.6	4.5	-7.6	0.9	0.9	14.1	-1.7	0.0	-8.4	12.1	11.0
% Chg Same Month Last Year	5.3	5.2	4.2	4.4	2.3	2.3	1.7	2.5	2.0	1.9	1.1	2.1	2.4
US Coincident Index (1992=100)	118.5	119.9	119.2	119.3	119.4	119.5	119.8	120.2	120.5	119.5	120.1	120.4	120.9
% Chg Previous Month SAAR	2.0	15.1	-6.8	1.0	1.0	1.0	3.1	4.1	3.0	-9.5	6.2	3.0	5.1
% Chg Same Month Last Year	2.6	3.6	2.9	2.8	2.4	2.3	2.2	2.6	2.6	1.4	2.0	1.8	2.0
US Nonag Employment (Mil.)	132.3	132.4	132.6	132.9	133.0	133.3	133.4	133.6	133.9	134.0	134.0	134.1	134.4
% Chg Previous Month SAAR	1.2	1.4	1.1	2.7	1.1	2.7	1.1	1.6	2.5	1.3	0.2	0.2	2.8
% Chg Same Month Last Year	1.6	1.7	1.7	1.8	1.7	1.7	1.6	1.6	1.8	1.7	1.6	1.4	1.6
US Unemployment Rate (%)	5.4	5.4	5.2	5.4	5.1	5.1	5.1	5.0	5.0	4.9	5.1	4.9	5.0
US Initial Claims for UI (000s)	334.1	330.0	330.1	307.4	337.8	321.9	334.7	320.7	316.7	317.0	404.7	350.5	322.8
% Chg Previous Month SAAR	-14.8	-13.8	0.4	-57.5	210.1	-43.9	59.7	-40.1	-14.0	1.1	1,774.5	-82.2	-62.8
% Chg Same Month Last Year	-8.9	-8.7	-7.0	-13.7	-1.9	-6.8	-2.6	-5.6	-7.5	-6.9	17.3	3.5	-3.4
US Industrial Production Index	106.0	106.7	106.9	107.4	107.3	107.2	107.4	108.3	108.3	108.6	107.2	108.2	109.1
% Chg Previous Month SAAR	2.4	8.3	2.3	4.7	-0.5	-1.4	2.8	10.0	-0.2	3.5	-14.7	12.7	9.9
% Chg Same Month Last Year	3.9	4.4	4.2	3.7	4.0	3.1	2.4	3.7	3.1	3.1	2.0	2.3	2.9
US Personal Income Less Trans. (Bil. 92\$)	7,745.8	8,071.9	7,794.2	7,811.7	7,820.2	7,798.6	7,822.9	7,862.9	7,890.1	7,543.9	7,828.8	7,851.6	7,915.3
% Chg Previous Month SAAR	5.1	64.0	-34.3	2.7	1.3	-3.3	3.8	6.3	4.2	-41.6	56.0	3.6	10.2
% Chg Same Month Last Year	2.9	7.2	3.4	3.4	3.5	2.9	3.1	3.7	3.4	-1.4	2.5	1.8	2.2
CPI, All Urban (1982-84=100)	191.2	191.2	191.3	192.0	193.2	194.2	194.1	194.1	195.1	196.1	198.5	198.9	197.8
% Chg Previous Month SAAR	3.2	0.0	0.6	4.5	7.8	6.4	-0.6	0.0	6.4	6.3	15.7	2.4	-6.4
% Chg Same Month Last Year	3.6	3.4	2.9	2.9	3.2	3.5	2.8	2.5	3.1	3.6	4.7	4.3	3.5
US Retail Sales (Bil. 84\$)	332.9	336.4	336.8	339.0	340.1	346.1	344.9	351.3	357.3	350.7	351.8	352.5	355.4
% Chg Previous Month SAAR	-0.1	13.6	1.3	8.1	3.9	23.4	-3.9	24.6	22.4	-19.9	3.7	2.6	10.1
% Chg Same Month Last Year	7.4	8.9	8.0	8.0	6.0	9.1	6.3	9.8	10.3	8.2	6.6	5.9	6.8
Manufacturing & Trade Sales (000s)	924.6	936.9	940.2	933.1	932.9	937.8	944.3	948.4	950.4	951.8	944.2	948.2	*948.3
% Chg Previous Month SAAR	2.2	17.1	4.3	-8.8	-0.3	6.5	8.6	5.3	2.6	1.8	-9.1	5.1	0.2
% Chg Same Month Last Year	4.8	5.6	6.1	4.9	2.1	3.5	3.8	4.2	3.8	3.4	2.5	2.7	2.6
US Consumer Expectations (1966=100)	85.2	90.9	85.7	84.4	82.8	77.0	75.3	85.0	85.5	76.9	63.3	63.2	69.6
% Chg Previous Month AR	22.0	117.5	-50.7	-16.8	-20.5	-58.2	-23.5	328.0	7.3	-72.0	-90.3	-1.9	218.2
% Chg Same Month Last Year	-3.3	1.2	-14.4	-4.6	-6.8	-11.8	-7.7	-4.0	-6.3	-12.8	-28.1	-24.6	-18.3
Ave. Prime Interest Rate (% NSA)	4.93	5.14	5.25	5.49	5.58	5.75	5.98	6.01	6.25	6.44	6.59	6.75	7.00

* ARIMA estimation